

THE ALLIANCE FOR PROGRESS AND ITS INFLUENCE ON
BRAZILIAN ECONOMIC GROWTH AND DEVELOPMENT

A THESIS

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INTRODUCTION

Brazil is an underdeveloped country, but the people have given ample evidence that they do not want their country to remain underdeveloped. This evidence has been shown by an increased effort on the part of the government to achieve economic growth.

Brazil and the other countries of Latin America are looking to the more developed countries of the world for assistance in promoting their development. Apparently Brazil is ready to throw off the shackles of backwardness and speed its economic development as it goes through the transitional process that is effecting the other developing countries of the world.

Purpose.--The purpose of this study is to examine Brazilian economic growth and development and to point to some of the economic and social problems faced by this developing country. In this brief examination major emphasis is placed on the Alliance for Progress and its contribution toward helping the country effect workable solutions to its problems of economic development.

Definition of Terms.--Latin America refers to that part of the Western Hemisphere which lies south of the Rio Grande River. Underdeveloped country means a country with a low per capita income coupled with a large population and few industries developed on a large scale and an agricultural system that is almost entirely based on primitive methods of production. Economic growth is the increase in the production of goods and services, an increase in the per capita income and an advancement in the industrial sector of the country.

Limitations.--All aspects of the Brazilian economy are not covered in this thesis; rather only those aspects of the economy that appear to

be of greatest help in understanding the economic growth and development of Brazil are examined.

Significance.--It is expected that this study will help those students, instructors, and other individuals who maybe interested, to understand the economic growth of Brazil and to understand some of the problems that this country faces as it goes through the change from that of an underdeveloped country to a mature one.

THE ALLIANCE FOR PROGRESS AND BRAZIL:

A GENERAL PICTURE

The Alliance

History.--According to Lincoln Gordon, U. S. Ambassador to Brazil, the Alliance for Progress represents the most important steps ever attempted toward the union of the United States and the countries of Latin America in an economic aid program that is to benefit the participating countries.¹

The evolution of the Alliance for Progress is the result of some of the many aid programs that have been in effect in Latin America over the years. Many important discussions and debates took place before this program was instituted, as the cooperative efforts of both the United States and the countries of Latin America were required to lay the foundation for this program. The Alliance for Progress was the end product of a Latin American policy designed to change the traditional position of the United States toward the countries of the southern part of the hemisphere. That is, a policy of non-participation on the part of the United States in the economic aid programs that provided help for the countries of Latin America. The United States would simply give aid to these countries without encouraging the cooperative effort that exist in this new economic aid program.

In 1960 the member nations of the Organization of American States held a meeting in Bogota. During this meeting the participating countries agreed to cooperate to achieve economic and social progress. At another

¹Lincoln Gordon, A New Deal for Latin America: The Alliance for Progress (Cambridge, Massachusetts: Harvard University Press, 1963), p. 9.

meeting some months later the member nations began to work out more concrete plans for the Alliance for Progress.²

The institution of the Alliance for Progress in March 1961 was hailed throughout the world as an important step toward the development of that part of the world which has a great per cent of the world's population, great mineral deposits, as well as other resources, while at the same time possessing millions of people living under sub-standard conditions.

There seems to be some misunderstanding concerning the Alliance for Progress and its program. This misunderstanding may well be due to the fact that in the past, United States economic aid to these undeveloped countries has been in the form of out-right grants and not in terms of a cooperative effort on the part of the countries participating in the aid program.

Indeed, early views expressed about the Alliance would lead to the conclusion that the people think of United States aid as merely a flow of money from the north to help the poor people of the southern part of the hemisphere, but slowly the logic of the word alliance seems to be sinking in, the logic that it takes at least two active partners to make an alliance. Once the people of the United States and the Latin American citizens come to understand more fully the real meaning of the Alliance no doubt the main objectives of the Alliance will more quickly become a success.

According to Dreier, the Alliance for Progress is unparalleled in its magnitude and purpose to satisfy the basic needs of the people of Latin America for homes, work, health facilities, and schools.³ Thus, such joint

²Lowell Harriss, The American Economy (Nomewood, Illinois: Richard Irwin, Inc., 1962), p. 839.

³John C. Dreier (ed), The Alliance for Progress: Problems and Prespective (Baltimore: The Johns Hopkins Press, 1962), p. XIV.

responsibility emphasizes the fact that this program must be understood in the light of the transitional changes that are taking place in Latin America. It appears that there has been an increase in the sharing of responsibilities by the countries of both North and South America to achieve peace, security, and economic and social progress.

Objectives of the Alliance.--Since there seems to be some confusion on the part of the people of both the United States and Latin America as to whether the Alliance for Progress is another Marshall Plan, perhaps at this point it might be well to explain briefly what the Marshall Plan was as against what the Alliance is. The Marshall Plan was designed to make possible the restoration of an already advanced industrial system where attitudes, techniques, and other aspects of competence were freely available and the capacity to modernize and take advantage of large scale help was great.⁴ On the other hand, the Alliance, as observed previously, was designed, not to restore, but to make for development. That is, to provide a basis for growth which had not been achieved previously.

The Alliance for Progress was created for the economic development of those countries which are members of the Organization of American States, whose membership includes the following countries: Venezuela, Guatemala, Bolivia, Mexico, Ecuador, The Dominican Republic, Columbia, Argentina, Peru, Paraguay, Haiti, Panama, Honduras, Costa Rica, Uruguay, El Salvador, Chile, and Brazil.

What is the Alliance for Progress? In the words of Ambassador Gordon, "In a single sentence it is a sustained and cooperative effort to

⁴Ibid., p. XVI.

accelerate economic growth and social progress through democratic institutions based on respect for the individual."⁵

The Alliance for Progress is not really a specific set of goals but is a general program for the economic development of those countries involved in this plan. The Alliance for Progress has set twelve goals which it would like to achieve in the ten-year life of this aid program.

It is the purpose of the Alliance for Progress to enlist the full energies of the peoples and governments of the American Republics in a great cooperative effort to accelerate the economic and social development of the participating countries of Latin America, so that they may achieve maximum levels of well being, with equal opportunities for all, in democratic societies adapted to their own needs and desires.⁶

As stated in the State Department Bulletin the objectives of the Alliance for Progress are:

to achieve in the participating Latin American countries a substantial and sustained growth of per capita income at a rate designed to attain, at the earliest possible date, levels of income capable of assuring self-sustaining development, levels constantly larger in relation to the levels of the more industrialized nations;

to make the benefits of economic progress available to all citizens of all economic and social groups through a more equitable distribution of national income, raising more rapidly the income and standard of living of the needier sector of the population, at the same time that a higher proportion of the national product is devoted to investment;

to achieve balanced diversification in national income structures, both regional and functional, making them increasingly free from dependence on the export of a limited number of primary products and the importation of capital goods while attaining stability in the price of exports;

⁵Gordon, op. cit., p. 9.

⁶Dreier, op. cit., p. XVII.

to accelerate the process of rational industrialization so as to increase the productivity of the economy as a whole, taking full advantage of the talents and energies of both the private and public sectors, utilizing the natural resources of the country and providing productive and remunerative employment for unemployed or part-time workers. Within this process of industrialization, special attention, should be given to the establishment and development of capital goods industries;

to raise greatly the level of agricultural productivity and output to improve related storage, transportation, and marketing service;

to encourage, in accordance with the characteristics of each country's programs of comprehensive agrarian reform leading to the effective transformation, where required, of unjust structures and systems of land tenure and use, with a view to large and small holdings by an adequate system of land tenure so that, with the help of timely and adequate credit, technical assistance and facilities for the marketing and distribution of products, the land will become for the man who works it the basis of his economic stability, the foundation of his increasing welfare and the guarantee of his freedom and dignity;

to eliminate adult illiteracy and by 1970 to assure, as a minimum access to six years of primary education for each school age child in Latin America; to modernize and expand vocational, technical, secondary and higher education and teaching facilities, to strengthen the capacity for basic and applied research; and to provide the competent personnel required in rapidly-growing societies;

to increase life expectancy at birth by a minimum of five years and to increase the ability to learn and produce, by improving individual and public health. To attain this goal it will be necessary, among other measures, to provide adequate portable water supply and sewage disposal to not less than 70% of the urban and 50% of the rural population; to reduce the present mortality rate of children less than five years of age by at least one-half; to control the more serious communicable diseases, according to their importance as a cause of sickness, disability and death; to eradicate those illness especially malaria, for which effective techniques are known; to improve nutrition; to train medical and health personnel to meet at least minimum requirements; to improve basic health services at national and local levels; and to intensify scientific research and apply its results more fully and effectively to the prevention and cure of illness;

to increase the construction of low cost housing for low income families in order to replace inadequate and deficient housing and to reduce housing shortages; and to provide necessary public services for both urban and rural centers of population.

to maintain stable price levels, avoiding inflation and the consequent social hardships and maldistribution of resources, always bearing in mind the necessity of maintaining an adequate rate of economic growth;

to strengthen existing agreements on economic integration with a view to the ultimate fulfillment of aspirations for a Latin American Common Market that will expand and diversify trade among the Latin American countries and thus contribute to the economic growth of the region;

to develop cooperative programs designed to prevent the harmful effect of excessive fluctuation in the foreign exchange earnings derived from exports of primary products, which are of vital importance to economic and social development; and to adopt the measures necessary to facilitate the access of Latin American exports in the international markets.⁷

Obviously the achievement of the objectives of this program would mean that the countries that are participating in this program would improve their economic condition greatly.

Brazil

The Land.--Brazil is the fourth largest country in the world. It makes up about 3.2 million square miles.

This massive land area is divided basically into three regions, (1) the lowlands, tropical Amazon Region in the north and northwest, (2) the Northeastern States, part of which are made up of scrublands and desert, (3) and the central and coastal uplands.⁸

It maybe reasonable to assume that if we take each of these regions separately and relate some of the physical characteristics and the other facts about them, a better understanding can be obtained con-

⁷"The Alliance for Progress and The New Republic," United States Department of State Bulletin, vol. XLV (September 11, 1961), pp. 462-463.

⁸Capehart, Study of Latin America (New York: United States Press, 1959), p. 79.

cerning the land of Brazil and reasons why it has remained underdeveloped may be explained more readily.

The Northern part of Brazil is occupied by a vast area known as the Amazon Basin. The area has a (1) hot, humid, and rainy climate; (2) the greatest water network in the world; and (3) a thick rain forest, growing on soil which in general appear to be quite poor.⁹ When considering the climate and the type of land found in this region, it is not difficult to see why this part of Brazil has not been developed for it would be unwise for most of the people of Brazil to live under such conditions of heat and humidity trying to produce crops on land which is of poor quality and which does not promise to yield anything substantial.

If we consider the fact that the land in this Northern Amazon Region is of poor quality and therefore is inadequate for farming, then, the reason for its lack of development becomes evident. However, since the Brazilian people are basically agricultural steps have been taken to make the unproductive land in this area productive by the use of certain chemical processes. It is expected that these lands will, in the not too distant future, be made productive. Once this land becomes productive it is possible that it will be useful in helping the people of Brazil in increasing the land available for farming purposes.

The second important land area is the Northeast. This Northeast area plays a part in Brazilian national life similar to that played by the New England States in the national structure of the United States.¹⁰ The first Portuguese in Brazil settled in this area.

⁹Smith and Marchant, Brazil: Portrait of Half a Continent (New York: MacMillian Publishing Company, 1959), p. 45.

¹⁰Ibid., p. 46.

This region is divided into two units which have different physical characteristics as well as racial composition. The part of the Northeast that forms a belt along the coast has ample rainfall, a cool climate and good soil which can produce cacao, sugar cane, coffee, and many other agricultural products. As a matter of fact, largely because of the cool climate, this area is a leading producer of coffee and cacao.

The other part of the Northeast is known as the Interior which borders the coast on the north and Natal on the south. It is a land of recurring droughts, with scrub forest standing on soil which is hard, sandy and light-colored.¹¹ This area was colonized first by the Portuguese but it seems that due to the condition of the soil in this area the people had to move further to the south where the land was better and rainfall ample for farming. In this region may be found a variety of peoples but for the most part there is found a large percentage of the Negro population. This is about the only region where there is found a great per cent of Negroes.

The central and southern uplands constitutes the third broad geographic division in Brazil. This division makes up the heart of present day Brazil, containing almost 60% of the population of its fertile productive lands and in its teeming commercially active cities.¹² Here one finds Rio de Janeiro, Brazil's chief port of entry and largest city; Sao Paulo, the greatest industrial center in South America, the second largest city in Brazil and reputed to be one of the world's fastest growing cities.¹³

¹¹Capehart, op. cit., p. 80.

¹²Capehart, op. cit., p. 73.

¹³Capehart, op. cit., p. 73.

It is in this part of the country that most of the people live due to the climatic conditions and the condition of the soil. It should be noted that it has been in this section of the country that the most important industries have come into being.

The People.--It is doubtful that any of the many advantages and disadvantages inherent in the physical makeup of Brazil can have real significance to us unless something is known about the people and their way of living.

There are about 74 million people in Brazil. This population is spread unevenly throughout the country with most of these living along the coast. The majority of the people do not live more than 200 miles away from the coast.¹⁴ The concentration of population near the coast is due to the fact that there is adequate transportation, favorable climate, and good soil near the coast.

The people of Brazil are a mixture of many races due to the fact that the conquerors of the country did not bring woman along on their voyages, so that inter-marriages with the native population brought about a great mixture of the races in Brazil. There are few places in the world where the racial makeup of the population is more involved and more complexed than that which is found in Brazil. All the principal varieties of mankind, all the basic stocks into which human races can be divided - red, white, black, yellow - have entered into the composition of the population of Brazil.¹⁵

¹⁴Smith and Marchant, op. cit., p. 49.

¹⁵Smith and Marchant, op. cit., p. 52.

Now, there may be some misconceptions on the part of many people as to the percentage of the different races that make up the population of Brazil. The many who may think of Brazil as being populated largely by blacks, may be surprised to find that a greater percentage of the Brazilian population is white. Perhaps this, to some, does not seem to be possible but when one takes into consideration the great migration of the 19th century it is possible to see how a situation like this could occur.

The majority of the people in Brazil live in the southern part of the country because climate is suitable for farming and the soil is rich. For, as mentioned earlier, it would be difficult for most of the people to live in the Northern Region because of the heat and humidity and poor quality of the soil.

Perhaps at this point the fact should be made clear that all Brazilians do not live in the rural areas under sub-standard conditions nor does illiteracy exist throughout the country, for there are those Brazilians who live in the teeming cities on the coast and work at similar professions as do the people in the United States who live in the big cities and there are also those Brazilians who are well educated. A further discussion on this subject will be presented later.

Finally, while it is recognized that it is necessary to consider the government of the country, it would be of greater significance if it were discussed later in this work.

There are certain problems characteristic of an underdeveloped country and Brazil being underdeveloped has the same basic problems of any country that is developing. The problems that the Brazilians face appear

to be two fold in that they may be considered economic and social, and political. In this study more emphasis will be placed on the basic economic, and social problems, and while the political problems will be discussed, they will be emphasized to a lesser degree.

The broad economic problems that face Brazil may be considered as (1) agricultural, (2) industrial, and (3) social. These problems are to be discussed in greater detail later in this study.

The agricultural aspect of the problem will be considered because it is through this means that the large Brazilian population is fed. The industrial sector is important because it is through this means that the country hopes to make strides toward economic growth. The industrialization of a country plays an important role in its economic growth because industrialization brings more money into the economy. The social sector of the economy is that part that plays an important role in the well being of the people through the administration of plans for better housing, health facilities, and the like.

There are other problems faced by Brazilians many of which may be included when giving consideration to the broad basic problems that face the country.

AGRICULTURE

Since Brazil is basically an agricultural country an examination of the agricultural sector of the economy seems to be of great importance. The agricultural sector will be examined as to the important products, agricultural exports and a brief discussion of land reform measures which has to do with measures making for a more equitable distribution of the land among the people.

Farming.--Despite rising industrialization in Brazil, agriculture remains the principal occupation and about 60% of the total population live on the land and obtain their substance from it. The economy of Brazil has depended principally on agriculture since it was first discovered. The economic history of the country has been marked by a continuous cycle of agricultural products principally sugar cane and coffee.

According to the 1960 census, agriculture and livestock raising engaged 27% of all the nation's workers; and nearly two thirds of all Brazilians depend upon these activities for their livelihood.¹⁶ It is important to note however that only a small percentage of the land is cultivated or used for pasture.

Nearly all the nation's agriculture is centered in the eastern part of Brazil. There are three fundamental reasons why most farming is carried on in this part of the country. In this section there is an abundance of good soil, adequate rainfall and there is easy accessibility to modern transportation facilities. The land in the interior of the country on the other hand is thought to be of poor quality, and together

¹⁶"Brazil", Encyclopedia American (New York, 1963) vol. 4, p. 433.

with transportation difficulties, this part of Brazil has not been used for agricultural purposes to any great extent.

Products and Production.--Brazil is far from being a one crop country though coffee is very important to the nation's economy. Other important crops are corn, cacao, and sugar cane.

Brazil grows over half the world's supply of coffee, consequently, when the name "Brazil" is mention, "coffee" is often associated with that name. In 1959 Brazil grew 51% of the world's coffee on 3,356,000 hectares (one hectares is 2.471 acres) of land. Coffee acreage accounted for 16% of the nation's crop land.¹⁷

The amount of income that coffee has contributed to the economy of the country has remained constant for the last three years even though the number of coffee producing trees has decreased. This situation is due to the fact that the price of coffee has been on an increase, so that with rising prices a smaller output has been able to yield the same amount of income. It is necessary to consider this fact because there may be a tendency for people not to understand that a decrease in the number of trees need not mean a decrease in the income that the coffee production is adding to the economy.

In 1962 there were 18 million bags of coffee exported and this accounted for \$642.7 million dollars.¹⁸ It is important to note that the amount of coffee exported is only a small fraction of the total amount produced because it is in the best interest of those countries that produce coffee not to flood the market with a great volume of coffee for such

¹⁷Ibid., p. 434.

¹⁸Brazilian Bulletin, July 15, 1963, vol. XLX no. 438, p. 4.

flooding would tend to reduce the market price of the coffee. Naturally falling prices would not help the coffee producing countries, since the demand for coffee tends to be highly inelastic, so that the coffee that is not exported is stored in warehouses until it is needed for exportation.

In Brazil the coffee growers are protected by the State as to coffee production because the State buys all the coffee that is produced and stores it for a time selling only a certain percentage of the coffee during any given period. Therefore the individual coffee producer does not lose due to the fact that the State takes all the responsibility for storage of the coffee and since the producer has already been paid by the State a price above cost, he does not lose on the coffee that he produces.

Cotton has been an important source of farm income for Brazil due to the fact that the expanding production has been going hand-in-hand with favorable trade prices. Brazil ranks about fifth among the world's cotton producers. Most of the cotton that is produced in Brazil is grown in the eastern part of the country.

The cotton exported by Brazil in 1962 was 180,000 tons and this brought income of \$100,000,000 dollars which makes it the second most important export for Brazil and may serve as a second-line export to back up the coffee export should the economy hit a slump.¹⁹ Brazil like other developing countries of Latin America, is trying not to base its economy on one crop and therefore diversifications in agricultural output are becoming increasingly important. Cotton is now and no doubt will continue to be an important crop for Brazil and its economic development.

¹⁹Ibid., p. 3.

Another of Brazil's leading export product is cacao and over 80% of the cacao produced in Brazil is grown in the State of Bahia. Brazil is second only to Ghana as a leading producer of cacao. The rising price of cacao in the world market makes it an important product for Brazil. The 130,000 tons of cacao exported during 1962 brought \$65 million dollars in income into the country.²⁰

Brazil is also a leading producer of corn and there is more land devoted to corn than any other single crop. This corn is used domestically by the people of the country as a basic food item. Other important crops in Brazil such as rice, beans, wheat and other crops are important to the people for maintaining a living. While such crops are not usually thought of in the income producing sense, they do contribute to income in the sense that they provide income for the individual farmer who produces these crops.

Barriers.--One of Brazil's major problems has to do with those created due to the inadequacy of transportation facilities. Inadequacy in the area of transportation effects all sectors of the Brazilian economy, agricultural, industrial, mining and the import and export trade too.

The great bulk of the transportation in Brazil is done by vehicles. This makes the cost for delivery of the mineral products and agricultural products high because the roads are in general very bad and in need of repair which makes it extremely difficult for products to be brought to the places of central distribution.

Inadequate railroad service has been responsible for the use of trucks for purposes which could more economically be served by railroad

²⁰Ibid., p. 3.

transportation, such as the movement of timber and sugar cane which are shipped over roads that run parallel to the railroad tracks, at double the expense.²¹

The Alliance for Progress has helped to develop the transportation system in Brazil in that there has been money loaned under this program for the development of the transportation facilities of the country. In 1962 alone \$11 million dollars was provided by the Alliance for Progress for the improvement of the highway system and also to aid the railroads in hope that they can be made to operate effectively.²²

Land Reform.--Land reform does not mean the mere dividing of the estates to individual farmers, rather it means a sensible and productive system of land use and the availability of modern tools and equipment.

In Brazil about 10% of the people own about 75% of the land. Seemingly there should be a more equitable distribution of land ownership. It is possible that a cooperative type of ownership would be very effective in aiding the people in obtaining land to be used for farming thus making life for them much better.

It is important to note that these large estates have been in existence for hundreds of years. These estates have been passed from generation to generation so that as the population increased the people that owned the land became a smaller percentage of the population. The main trouble with this is that these vast land areas that are owned by the landowners is not always put into use. The landowner will use some of the

²¹Capehart, op. cit., p. 82.

²²Brazilian Bulletin, November 1, 1963, vol. XLX., p. 4.

land for farming purposes but will leave a large part of the property unplanted.²³

Since the Brazilian people are basically agricultural it seems unfair to waste land that could be used for farming purposes. It is with this in mind that the people are seeking to have a land reform measure passed in their country as a step in the right direction, that is the direction toward a more equitable system of land distribution.

In the Brazilian Northeast, there is the hope that the sugar planters will give up half of their land voluntarily in exchange for irrigation, technical, and financial help to increase the yield of the remaining acreage. The land given up will be divided among the tenant families for food growing.²⁴

This program is in line with one of the principal objectives of the Alliance for Progress, for as stated in objective six of the Alliance for Progress there should be an effective transformation of land where unjust land structure exist so that it may help the people by an equitable distribution of the land.

The land reform measures may plan an important part in the agricultural sector of the country for in 1963 the agricultural production had increased significantly over the previous year.²⁵ The increase from 1962 to 1963 was about 20% but this was not due primarily to increased productivity but to an increase in the amount of land under cultivation.

²³Brazil's Northeast", Business Week, May 12, 1962, p. 87.

²⁴Ibid., p. 87.

²⁵Encyclopedia American, op. cit., p. 433.

It is hoped that through this land reform program there will be an increase in production due to advanced techniques that will be used as a result of the programs instituted through the Alliance for Progress.

These land reform measures are directly related to the objectives set forth in the Alliance for Progress in that they emphasize an increase in the agricultural productivity and output of the land under cultivation and also emphasize the improvement of storage and transportation facilities.

The passage of a land reform measure would mean that there will be more land provided for farming purposes and also it will take the edge off a tense situation in that the people want land and with the passage of this type of measure they will be able to acquire it.

It is not enough to consider the agricultural sector of a developing country for agriculture alone cannot make for economic growth of the magnitude required to result in early maturity. A study of the industrialization of the country will be made to show the great strides that have been made in this sector, a sector which goes hand-in-hand with agriculture to stimulate economic growth and development.

INDUSTRIALIZATION

The industrialization of a country depends upon such factors as the amount of natural resources in the country, technological advances, and amount of capital that has been invested in the country. These factors when accumulated together produce an industrialized economy provided that the necessary incentive for industrialization already is present in the country.

Brazil is blessed with many natural resources, among which are lead, iron ore, coal, manganese, tin, gold and others. But since these resources are located in different parts of the country and not in the main area of central distribution and since the availability of adequate transportation is lacking some of these deposits have not been fully developed.

Mining.--Since Brazil is endowed with a remarkable store of minerals, it seems that mining should play an important part in the make up of the gross national product but this is not true, for mining contributes only about 2% of the gross national product and employs less than 3% of the nation's workers.²⁶ The gross national product in 1962 was 2.609.7 billion cruzeiros.²⁷

Brazil's iron ore resources, widely distributed throughout the country, are estimated to be one-third of the world's known iron ore reserves. The production of iron ore in Brazil is becoming increasingly important because of the advancements that have been made in the industrialization of the country so that the industries that previously imported its

²⁶Brazil", Collier Encyclopedia (Crowell-Collier Company, 1962), vol. 4, p. 496.

²⁷Brazilian Bulletin, July 15, 1963, vol. XIX, no. 438, p. 4.

iron and steel now can obtain it within the country. The total production of iron in 1962 was 10 million tons.²⁸ The iron ore deposits are sizeable in Brazil but some of the larger deposits are located in the interior of the country and due to the inadequacy of the transportation it is difficult to develop these deposits.

Another important mineral that is widespread in Brazil is manganese, a metal used for hardening steel. This manganese is a great source of export for in 1959 of the total production of 810,000 metric tons, 663,000 metric tons were exported. In 1962 the exportation of manganese amounted to 900,000 metric tons.²⁹ The possibilities for this important mineral are unlimited because of the great need for such a mineral in hardening steel, a need which is likely to prevail for many years to come.

The other minerals in Brazil are not as important as those mentioned earlier but to point to some of these minerals should serve as proof of the variety of minerals in Brazil. There were 18,400 tons of aluminum, 12,500 tons of lead, and 2,000 tons of copper produced in Brazil in 1962.³⁰

The discussion of the mining of the minerals in Brazil leads us into a discussion of the industries of the country.

Industries.--Brazil has a larger industrial development program than any other country in Latin America. Most of the factories still are fairly small establishments, however, the number of relatively large plants is increasing rapidly. Industrialization has been retarded somewhat by the absence of adequate fuel, by inadequate and costly transportation, by

²⁸Ibid., p. 4.

²⁹Ibid., p. 5.

³⁰Ibid., p. 5.

the lack of skilled technicians and by the low purchasing power of the people.

It is important to view Brazil's industrialization and the attitude of Brazilians toward it as a change from an emphasis on the traditional agricultural production of the country to that of a realization that it is important to have an industrial economy as well as an agricultural one in order to promote economic growth.

The Alliance for Progress emphasizes the acceleration of industrialization in these countries so as to create jobs for those people not employed and it also aids in that it helps the nations get more capital into the economy because of investments. The Alliance for Progress is somewhat of a driving force behind the countries of Latin America for those objectives that were set by the Alliance have lead the countries of this region toward economic growth and development.

As a result of this more broadened emphasis Brazil's own industrial system now meets about 70% of the nation's demand for industrial equipment, particularly for the heavy electrical machinery, machine tools and oil gear.³¹ Also the Brazilian industrial development makes the country an almost self-sustaining country particularly in terms of its ability to meet most of the basic needs for industrial products.

Investment funds that were formerly channeled to the production of coffee and the other export products are now flown to the manufactures of goods that have been traditional imported. These investment funds have come from the countries of Western Europe and also the United States. The

³¹Colliers Encyclopedia, op. cit., p. 498.

imports of Brazil in the manufacturing line have not decreased because the manufacturers still need these imported goods to carry on the production process.

The important industrial centers are found in the eastern part of Brazil, in the States of Sao Paulo and Rio de Janerio. The city of Sao Paulo has been called the greatest industrial city in South America. In Sao Paulo may be found about 60% of the chemical and pharmaceutical industries, 33% of the textile industries, 80% of the electrical, rubber goods and machinery industries.³²

Rio de Janerio is an important city for the exports and import traffic of the country. The city is important for the exchange facilities of the trade transactions.

Manufacturing.--The manufacturing plants in Brazil have grown tremendously during the past ten years. Industrialization is the biggest and newest economy cycle in the expansion of the Brazilian economy. As mentioned before most of the Brazilian factories are small, as few as five employees establish them as factories. In 1959 there was an estimated 120,000 factories in Brazil employing over 2,000,000 workers, as compared with 92,000 factories employing 1,300,000 workers in 1950.³³ At present. the most significant areas of manufacturing include iron using industries, pharmaceuticals, auto industry and household appliances.

Iron using industries have developed rapidly during the past ten years and a wide range of the products that are made of iron such as rail-

³²Colliers Encyclopedia, op. cit., p. 495.

³³Colliers Encyclopedia, op. cit., p. 495.

road rails and building hardware are now being manufactured. Great progress has been made in the other industries producing products that are based in the use of iron; included among such products are bicycles, machine tools, sewing machines, refrigerators and other products.

In the area of pharmaceuticals Brazil has experienced tremendous growth. Brazil is now the sixth most important producer of pharmaceuticals among the Western nations.

As a result of progress made in this field in recent years, the industry completely meets the domestic needs of the country thus making imports unnecessary. Furthermore, dependence on imports for raw material, chemicals and biochemicals, that go into pharmaceuticals has been less.³⁴

Another important industry which has made significant progress within the past few years is the automotive industry. Before 1957 the major parts that went into the building of cars were imported and only a few of the minor parts were manufactured locally.

The situation is different now, for some of the cars, trucks and tractors that roll off the assembly line consist almost entirely of parts that are made locally.

The household appliance industry in Brazil is also of great importance in that production of household appliances in Brazil has increased greatly in the past few years. The severe import restrictions placed on these commodities has made for the development of this industry inside Brazil.

The Brazilian appliance industry originally imported a considerable quantity of parts but now it produces almost 100% of its component parts

³⁴Brazilian Bulletin, March 27, 1962, vol. XVIII, p. 3.

necessary for manufacturing the various appliances. The consumption of household appliances has expanded greatly since the end of World War II. Prior to World War II major household appliances were considered luxuries and only those people who were well-to-do could afford these appliances. It seems that as the country developed more industrially the standard of living increased thus making the demand for these products greater.

The Brazilian market for these products is so large that only a small quantity of these appliances have been exported. This type industry lends itself for foreign investments because those people that invest their money are looking for a return on their money and it seems that there is a good opportunity for them to make considerable profits.

In the opinion of the writer the only way that Brazil will be able to develop is through the development of its industrial system. It is realized that the things required for development are increased investments in industries and additional technological skills but it should not be forgotten that an improved agricultural system aids economic growth and development.

It is important for the reader not to forget that there is also another important aspect of the development problem and that is the social development of the country and with this in mind it seems that a discussion of this problem will be very beneficial at this point.

The Alliance for Progress has had great influence on the industrial development in Brazil. To point to some of the industries that have been aided by the programs instituted under the Alliance for Progress should give us a general indication of how the Alliance for Progress has influenced industrial growth in Brazil.

The Alliance for Progress has had its influence on the industrial development of the Northeast Region in that it has provided \$16 million dollars for the expansion of a power plant in that area. The expansion of the plant is suppose to increase the kilowatt capacity from 330,000 to 810,000 kilowatts.³⁵ The project, which is basic to the development of the region, falls within the framework of the Alliance program to improve social and economic conditions throughout the country.

The Alliance for Progress has also provided money for the development of the Coperbo synthetic rubber plant. The loan for the development of this plant is supposed to increase the production of the plant. In 1960 three states in the Northeast produced 130 million liters of synthetic rubber but the development of this plant the production of this one plant will be 100 million liters, thus the Alliance for Progress is fulfilling its objectives of the development of industries and the increase of industrial output in the countries of Latin America.³⁶

These are a few of the industrial development programs that have been instituted in Brazil to help Brazil in its economic growth and development.

Investment.--Brazil's vast potential in resources, its economic growth and industrial expansion have played an important role in attracting foreign investments.

Foreign investments made in Brazil from the end of 1957 to the beginning of 1962 come to the total of \$511,200,000. Of this amount according to data released by the Brazilian Institute of Geography and

³⁵Brazilian Bulletin, July 15, 1963, vol XIX, no. 438, p. 4.

³⁶Ibid., p. 4.

Statistics, more than 43% or 219,600,000 came from the United States.³⁷

The investment went into the basic industries of the country, namely, automotive, machinery, metal and ship building.

According to an article in the Brazilian American Survey, Brazilian law gives the same protection and guarantee to capital investments made by foreigners as it does to that made by Brazilian nationals. The article further states that the government gives special encouragement to investments in activities considered essential to the economy and which will result in saving and/or producing foreign exchange.³⁸

More specifically, the article states that:

funds representing foreign investments may enter and leave the country without restrictions through the free exchange market;

there is no restriction either in the remittance of profit out of the country or in the repatriation of the value of equipment brought in as investment;

facilities are afforded for the admittance, without exchange cover, of plant equipment representing foreign capital investment;

no percentage of Brazilian capital participation is required in companies formed with foreign capital;

the laws governing the formation and operation of business organizations are applicable without discrimination whether or not foreign participation is involved.³⁹

The writer feels that if an investment climate such as this really exist in Brazil, then it will not be too long before foreign investment will put Brazil on a faster road to economic growth and development.

The industrial advances that are being made in Brazil are in line with those set by the Alliance for Progress for the industrialization of

³⁷Brazilian Bulletin, October 1, 1962, P. 1 Vol. XVIII, no. 418.

³⁸Brazilian American Survey, (Rio de Janeiro, 1961), p. 22.

³⁹Ibid., p. 22.

the country. It is the objective of the industrial system in Brazil to aid in the economic growth and development of Brazil and through the expansion of the industrial sector all other sectors of the country will benefit.

The industrial development of a country starts a many fold cycle of income distribution to the various sectors of the economy that depend on products that are made in the various industries of the country. The Alliance for Progress emphasizes also the use of the natural resources of the country for the further development of the country and these are some of the same things that the Brazilian government is doing to aid economic development.

Government.--The varied aspects of the Brazilian government will be discussed in terms of its general objectives for economic growth and development and consideration will also be given as to the reason for the revolution that took place in April of 1964 and the accomplishments of the revolution.

The political stability of a country plays an important part in providing those conditions which are conducive to economic growth and development. It is true in the case of Brazil that the political make up of the country has had its effect on economic development and social progress.

The Brazilian government has changed hands four times within the last five years by this the writer means that there have been four presidents in the last five years. If we base stability in the number of times that a new government has taken over the country then Brazil does not have a stable government but if stability is based on the consideration that there have been few revolts in the country then Brazil has a stable government.

The Brazilian government is now under the control of President Humberto Castello Branco who took over the government in April 1964 after the military revolution over-threw President Goulart. The new President, who is pro-western, is a member of the military but he does not believe that the government of the country should be run by the military.

It may be argued with some justification that the Brazilian government in the past was not fair in its dealings with the foreign businessmen that invested money in factories in Brazil. The government in 1961 seized a few American owned factories without proper compensation and it is with this thought in mind that the new President is trying to create a climate which will be an aid in getting foreigners to invest capital in the industries of Brazil. The present government also is placing emphasis on land reform measures, tax reforms, health and educational improvements, industrial advancements and others which will lead to the economic growth and development of the entire country.

In an article in the U. S. News and World Report, it is stated that the reason for the military revolt in Brazil was to keep it from being taken over by the Communist.⁴⁰ It was this fear of Communist take-over that lead the military leaders to stage a revolt against the Goulart Government. Though a reason for the revolt could have been that the men of the military wanted to run the government for their own personal gains but this does not seem to be the case since most of the men in the important positions in the government are civilians. The threat of Communist take-over and the gallant action of the military may have saved Latin America's largest country from the clutches of Communism.

⁴⁰Brazilian Revolt, U. S. News & World Report, July 27, 1964, p. 58.

It is important now to look at the accomplishments of the revolution in terms of its benefits to the people of the country, foreign investors and the general economy as a whole. It is not expected that a new government will solve all the problems that existed before it came to power nor is it expected that those problems that it can solve will be solved quickly. The new government is experiencing some of the same problems experienced by the former government namely inflation and the inadequacy of the Brazilian Treasury. The government is making strides to solve these problems but it will take a few years perhaps for the government to institute an adequate program.

The new government has made strides to protect the country against Communist influences by having a large number of them arrested as enemies to the State. The present government has also created a climate which may tend to increase the foreign investment in the country and may also bring about greater expansion of the present facilities of many of the manufacturing plants in the country.

The type of government that exist in Brazil today should be able to solve the economic, social and political problems that it will face in the near future.

SOCIAL SECTOR

The social sector of the country is important because it gives us some idea of the standard of living in the country, plus it gives us some idea of the extent to which economic aid is needed in this area.

It is not possible to consider economic development without taking a general look at the social sector. The underdeveloped countries of the world face the problem of coordinating the industrialization of the country with that of the social sector.

In this part of the study there will be a discussion of the health, education and housing of the country and also there will be a consideration of the Alliance for Progress' influence on these important parts of the social sector.

Housing.--Brazil's present housing shortage is estimated at three million units. So that the 2.7 per cent rate of population growth in the next decade should obtain, the shortage will grow at a rate of about 300,000 units per year. To remedy the situation, some 600,000 housing units would have to be built within the next ten years.

Too, there are many sub-standard houses in Brazil, a large number of which are located in the major cities of the country. The sub-standard houses form a marked contrast to the luxury and splendor of the resort cities of Brazil. For example, in Rio de Janeiro one can see against the hills evidence of the need for housing in the country in that there are many slum dwellings that overlook the city.

The Alliance for Progress will play an important part in providing homes for these people who now live under sub-standard conditions in houses that are not adequate for living purposes. The plan calls for the

building of homes at a cost of \$1,200 to \$2,000 per unit. The individual will be able to pick the location of the land for his house and repay the loan within 30 years at a low interest rate, this is the report that was given in the Brazilian Bulletin.⁴¹

Education.--The Brazilian school system includes the elementary school covering four or five grades; the high school is divided into cycles, comprising four and three grades (junior and senior high school); and the university level school, encompassing four, five and six years, depending on the courses offered by the school.⁴²

Though elementary schools are accessible to most of the population of Brazil half of the children of school age, between 7 and 12 years old, attend school less than three years. It is with situations like this that an underdeveloped country finds itself while the world is moving toward a more developed state. In order for it not to fall so far behind other developing countries there must be advancements in the educational sector of the country.

Brazil is making an attempt to change this situation through the institution of a "Three Year Program for Economic and Social Development" which is expected to develop Brazil's educational facilities to meet the need for educated men and women that exist in the country.

The Alliance for Progress has played an important part in providing aid for the construction of schools and other educational facilities. The program is to provide \$11 million dollars for the schools of Brazil during the present year. The educational programs that have been instituted by

⁴¹Brazilian Bulletin, March 27, 1962, vol. XVIII, p. 1.

⁴²Encyclopedia American, op. cit., p. 442.

Brazil has the same objectives as those set by the Alliance for Progress for the elimination of illiteracy in the country. The main purpose of these educational programs is the elimination of illiteracy among the population and therefore to make them aware of the present situation in Brazil and to prepare them for the future of the growing industrialism in the country.

According to the Brazilian government's Three Year Plan for Economic and Social Developments summary of the Brazilian school needs might include the following items:

at the elementary instruction level, 600,000 children are educated in the four grades, whereas it would be required to train at least 2,000,000;

at the educational level, the so-called first cycle, 120,000 youths are educated yearly; whereas these figures should be as high as 720,000; in the so-called second cycle, 60,000 youths are educated, whereas there is a need for instruction of 300,000;

at the university level which reaches only two for every thousand inhabitants, Brazil would have to multiply current enrollment by five to attain the standards already achieved by Argentina.⁴³

The Plan seems to provide for all Brazilians living in the urban areas six years of elementary education and for those living in the rural areas at least four years of elementary education. It is also the objective of this Plan to have at least 40% of the population attend educational schools and 20% of the population attend colleges.

If all of the things come true that are predicted then there will be a need for the expansion of the present educational facilities. The money for this expansion of educational facilities will have to be provided either by the Federal Government or by means of securing a loan from

⁴³Brazilian Bulletin, August 15, 1963, p. 4.

external sources. It is hoped, by the Government, that the money can be generated within the country.

Health.--Obviously health facilities play an important part in the economic growth and development of a country. The health conditions in Brazil have improved greatly as a result of the economic changes brought about by industrialization.

It appears that as the income of the people becomes higher and higher there is a corresponding change in the health and sanitary conditions that exist in a country. It seems that since there is an indication that the health conditions have a positive relationship to income, then any program for the improvement of the health and sanitary conditions in a country should in some way be related to the general plan for economic and social development.

If we look at the importance of the health sector in the Brazilian economy we will see that there is devoted to the health sector a fairly adequate amount of money. Expenditures in the health sector make up about 2% of the gross national product. This is about the usual amount that is expended for health in a country with a per capita income that is similar to Brazil.

The Ministry of Health in conjunction with the Three Year Plan for Economic and Social Development focuses its attention of the following objectives:

- modernize the construction, equipment and operation of sanitary units;

- arrange for the surveying of the status of the water supply system;

- foster the campaigns against smallpox, polio, typhoid fever, venereal diseases, diphtheria, whooping cough, and tetanus;

activate the fighting of tuberculosis and leprosy with the assistance of dispensaries;⁴⁴

strengthen the Federal Health Offices.

Brazil has instituted programs to improve the health conditions in the country. It is following the objectives that are set forth in the Alliance for Progress in relation to the part which emphasizes the prevention of diseases, improved water facilities and an improvement in the overall sanitary conditions of the country's people.

The Alliance for Progress has given money for the improvement of the health facilities though it has not been ear-marked for this specific purpose, but it has been directed to the social sector in general. The money that is directed to the social sector is filter through until it reaches the health sector and is able to aid in improving the general health conditions of the country.

⁴⁴Ibid., p. 5.

CONCLUSION

Since its birth in 1961 The Alliance for Progress has influenced the economic growth and development of Brazil. The aid program for the economic growth and development of Latin America may have its short-comings but for Brazil it has served as a stimulus for economic growth and social reforms.

The Alliance for Progress has had its influence on the basic sectors of the Brazilian Economy, namely, the agricultural, industrial and social sectors. The programs instituted under the Alliance for Progress are concentrated mainly on the high priority objectives of economic and social progress with the assurance that the fruits of economic development will be distributed broadly throughout the country.

The Alliance for Progress has influenced the economic growth and development of the vast northeast region of Brazil through its many aid programs designed specifically for this area. To really see the influence that the Alliance has had on this area it is necessary to consider some of the many programs that have been started in this area and from this a conclusion may be drawn as to the Alliance's influences on the economic growth and development of this region.

In the Northeast Region where per capita income is low and the population growth rate very high one would expect to find people living under sub-standard conditions, with limited health facilities and with not enough food to eat. These are exactly the conditions in this area.

The Alliance for Progress has allocated \$131 million dollars for the economic and social progress of this vast area.⁴⁵ One-third of this

⁴⁵Brazilian Bulletin, July 15, 1963, vol. XIX, no. 438, p. 2.

money is earmarked for an emergency program, namely, public water supplies and health units to show the people that they are not forgotten and that help is on the way. It seems to the writer that this type of program will take the edge off the social situation long enough for the more basic development programs to be implemented.

Industrial expansion in Brazil has been considered as an indicator of economic growth and development of the country, but to really see the influence that the Alliance for Progress has had on Brazilian economic growth and development it is necessary only to look at the gross national product and the per capita income, for they serve as indicators of economic growth and development.

What is the gross national product? What is per capita income? The answers to these questions will really give us an idea as to the importance of these factors as a measure of economic growth and development. The gross national product is the sum total of the goods and services produced in a country in a specific year valued at market prices. The per capita income is the national income divided by the total population.

If we set some basic criteria by which to measure economic growth and development it would be necessary that we include the following: increase in the gross national product, an increase in the per capita income, industrial expansion, improved educational facilities, improved health facilities and an improvement in general agricultural system of the country. These are all basic for economic growth and development. It has already been pointed out that there has been an expansion in industry, an improvement in educational facilities, and an improvement in the health and agricultural system so all that is left to consider now is the gross

national product and per capita income as basic indicators of economic growth and development.

It is noted that in most discussions concerning underdeveloped countries a great deal of emphasis is placed on the per capita income of these countries as a indication of economic well-being. If the per capita income improves then this is an indication of economic growth and development within a country.

The per capita income in Brazil in 1960 was \$300.00; in 1963 it had increased to \$336.00.⁴⁶ While to some this income may not seem like a very great change it is indicative of economic growth. Indeed the per capita increase of some 6.5% from 1960 to 1963 had real meaning for a developing country, and may be due to the influence that the Alliance for Progress has had on the Brazilian economic growth and development.

The per capita income in itself is not enough to show how the Alliance for Progress has influenced Brazilian economic growth and development so it becomes necessary that we consider the gross national product as an indicator of economic growth and development.

The gross national product of Brazil has grown at a faster rate than that of the United States for the gross national product in the United States has grown at a rate of 1.8% from 1947 to 1963 while in Brazil the gross national product has grown at a rate of 5.7% over the last ten years.⁴⁷ However, some of this is due to inflation that exist in Brazil, but it also gives us an indication of the economic growth of Brazil.

⁴⁶Brazilian Bulletin, November 1, 1963, vol. XIX, p. 4.

⁴⁷Ibid., p. 5.

It is important at this point to indicate that the population growth rate in Brazil is about 3.4%⁴⁸ which is high but it is not high enough to retard economic growth and development. If the population growth rate can be kept at a low level then economic growth will not be hard to achieve because one of the major factors that retard growth is an population increase that out-strips the per capita income and also the gross national product.

Has the Alliance for Progress really influenced the economic growth and development of Brazil? The answer to this question has already been presented in terms of the criteria that was set forth as the basis for economic growth and development. The success of the Alliance for Progress depends on the cooperation that the countries give this program for the economic growth and development.

The program is successful in the sense that it has apparently stopped the spread of Communism in the Western Hemisphere, this coupled with the aid to economic growth and development make the Alliance one of the most important programs that has been instituted in this part of the world.

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